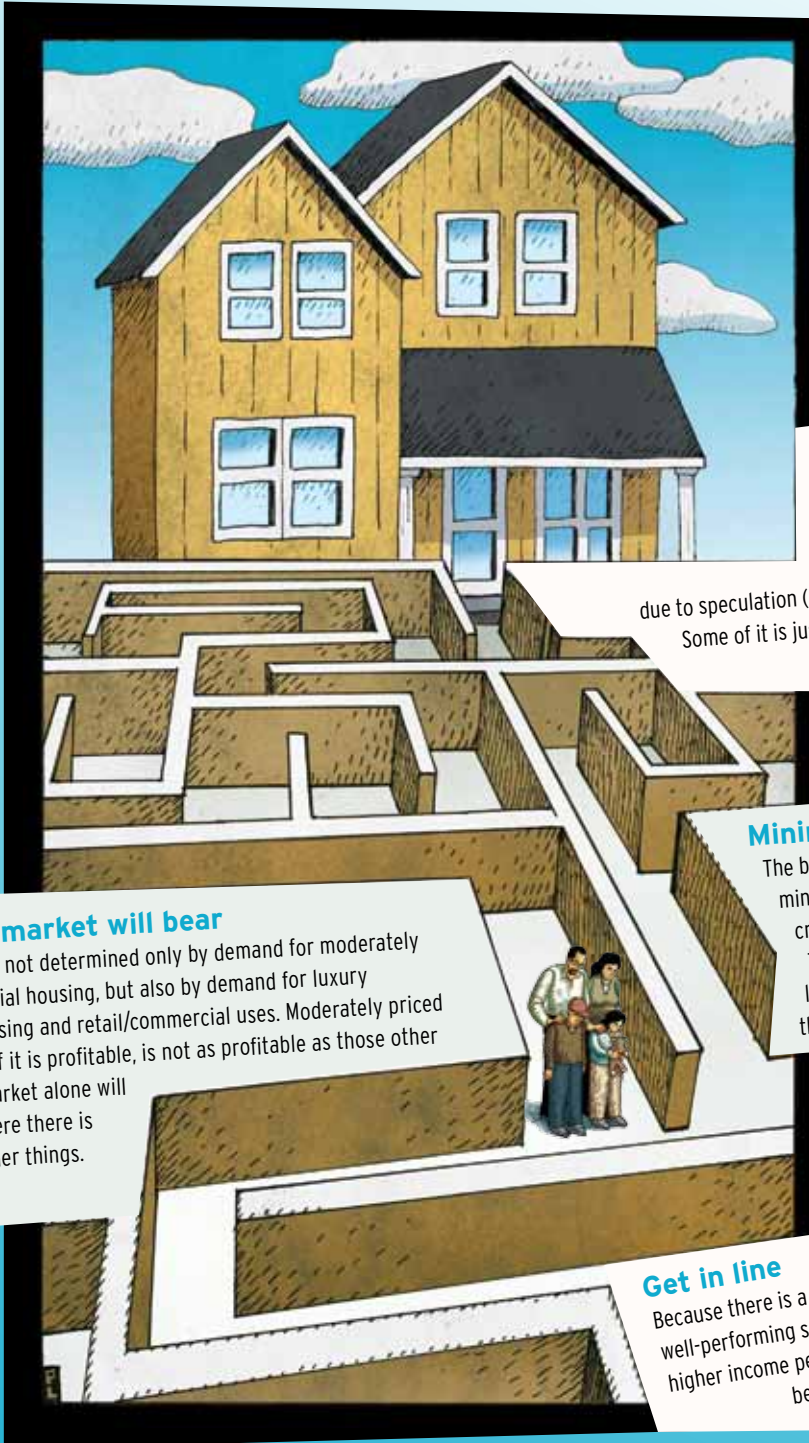


The Answer

SHELTERFORCE



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Q: Why doesn't the market produce enough affordable housing where people want it?

Location, location, location...

The value of housing is tied to location. In desirable locations there is a limit to how much housing can be created. Some of this is due to regulation. Some of it is due to speculation (i.e. people holding units off the market hoping for windfalls). Some of it is just the limits of physical space.

Minimum costs/Low wages

The basic costs of construction (labor and materials) and the minimum safety and quality standards we have established create a lower limit on how little a housing unit can cost. Thanks to stagnation in the minimum wage, people at the lowest end of the income spectrum cannot afford even these minimum costs.*

What the market will bear

Land prices are not determined only by demand for moderately priced residential housing, but also by demand for luxury residential housing and retail/commercial uses. Moderately priced housing, even if it is profitable, is not as profitable as those other uses, so the market alone will not build it where there is demand for other things.

Get in line

Because there is a limited supply of locations providing access to jobs, well-performing schools, and high quality of life, there are easily enough higher income people and speculators to bid up prices in those areas beyond what the low- and even moderate-income people working there can afford.

Thanks to Eric Belsky, Dean Baker, and Jeff Lubell for helping us craft this Answer. The final result is only Shelterforce's.
*For examples of the price/wage mismatch visit this Center for Housing Policy database:
www.nhi.org/go/costsvwages.

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